

**REPORT OF THE AUDIT OF THE  
CUMBERLAND COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CUMBERLAND COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Cumberland County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash Balances increased by \$373,633 from the beginning of the year, resulting in a cash surplus of \$1,299,224 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$2,352,000. Future collections of \$3,290,548 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$105,411 as of June 30, 2002. Future principal and interest payments of \$117,744 are needed to meet these obligations.

Bond anticipation note principal as of June 30, 2002, was \$553,503.

#### **Report Comment:**

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$655,972 And Entered Into A Written Agreement To Protect Deposits



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Cumberland County, Kentucky, as of June 30, 2002, and the statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Cumberland County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Cumberland County Tourist Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cumberland County Tourist Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Cumberland County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donna Thurman-Knight, Cumberland County Judge/Executive  
Members of the Cumberland County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of Cumberland County, Kentucky as of June 30, 2002, and its receipts and disbursements for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2003 on our consideration of Cumberland County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cumberland County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$655,972 And Entered Into A Written Agreement To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 21, 2003



CUMBERLAND COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Donna Thurman-Knight	County Judge/Executive
Frankie Sells	Magistrate
Dewey Earl Branham	Magistrate
Thomas J. Brown	Magistrate
Lester Long	Magistrate

**Other Elected Officials:**

Lindsey Bell	County Attorney
Floyd Branham	Jailer
Betty Hogan	County Clerk
Hazel Jones	Circuit Court Clerk
James Pruitt	Sheriff
Gina Watson	Property Valuation Administrator
Gary White	Coroner

**Appointed Personnel:**

Deborah Staley	County Treasurer
Deborah Staley	Occupational Tax Collector
Eugenia Ferguson	Finance Officer
Ricky Melton	Road Supervisor
Deborah Staley	Solid Waste Coordinator



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

CUMBERLAND COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 776,769	\$ 6,953	\$	\$ 515,502
Restricted Cash-				
Payroll Tax Account	5,150			
Total Assets	\$ 781,919	\$ 6,953	\$	\$ 515,502
<u>Other Resources</u>				
Amounts to be Provided in Future Years for:				
Capital Lease Agreements-				
Principal Payments (Note 6)				
Voting Machines	\$ 3,114	\$	\$	\$
Grader	102,297			
Bonds				
Principal Payments (Note 5)				
Health Services Corporation:				
Hospital Bond Fund - 1992 Series				2,244,335
Bond Anticipation Note Payments-				
Principal Payments (Note 7)				
Public Properties Corporation:				
Justice Center Construction Fund			553,503	
Total Other Resources	\$ 105,411	\$ 0	\$ 553,503	\$ 2,244,335
Total Assets and Other Resources	\$ 887,330	\$ 6,953	\$ 553,503	\$ 2,759,837

CUMBERLAND COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Primary Government

\$ 1,299,224

5,150

\$ 1,304,374

\$ 3,114  
102,297

2,244,335

553,503

\$ 2,903,249

\$ 4,207,623

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Payroll Tax Account	\$ 5,150	\$	\$	\$
Capital Lease Obligation-				
Principal Payments (Note 6)				
Voting Machines	3,114			
Grader	102,297			
Bonds				
Principal Payments (Note 5)				
Health Services Corporation:				
Hospital Bond Fund - 1992 Series				2,352,000
Bond Anticipation Note-				
Principal Payment (Note 7)			553,503	
Total Liabilities	\$ 110,561	\$ 0	\$ 553,503	\$ 2,352,000
<u>Equity</u>				
Fund Balances:				
Reserved (Note 9)	\$ 240,973	\$ 6,953	\$	\$ 407,837
Unreserved	535,796			
Total Equity	\$ 776,769	\$ 6,953	\$ 0	\$ 407,837
Total Liabilities and Equity	\$ 887,330	\$ 6,953	\$ 553,503	\$ 2,759,837

CUMBERLAND COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Primary Government

\$ 5,150

3,114  
102,297

2,352,000

553,503

\$ 3,016,064

\$ 655,763

535,796

\$ 1,191,559

\$ 4,207,623

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CUMBERLAND COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,956,584	\$ 1,781,880	\$ 1,100,839	\$ 44,879
Other Financing Sources:				
Transfers In	459,965	394,965	5,000	60,000
Bond Anticipation Note	553,503			
Kentucky Advance Revenue Program	155,000	56,000	99,000	
Lease-Rental Income	215,808			
Total Cash Receipts	\$ 4,340,860	\$ 2,232,845	\$ 1,204,839	\$ 104,879
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,877,688	\$ 1,800,209	\$ 947,656	\$ 111,278
Other Financing Uses:				
Schedule of Unbudgeted Expenditures	278,538			
Transfers Out	459,965	65,000	120,000	
Bonds:				
Principal Paid	61,000			
Interest Paid	120,650			
Capital Lease Agreements - Principal Paid	14,386	9,192	5,194	
Kentucky Advance Revenue Program Repaid	155,000	56,000	99,000	
Total Cash Disbursements	\$ 3,967,227	\$ 1,930,401	\$ 1,171,850	\$ 111,278
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 373,633	\$ 302,444	\$ 32,989	\$ (6,399)
Cash Balance July 1, 2001	925,591	325,779	94,980	16,905
Cash Balance June 30, 2002	\$ 1,299,224	\$ 628,223	\$ 127,969	\$ 10,506

CUMBERLAND COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Local Government Economic Assistance Fund	Fire Protection Fund	Cumberland County Public Properties Corporation Justice Center Construction Fund	Cumberland Health Services Corporation Bond Fund
\$ 14,916	\$ 3,405	\$	\$ 10,665
		553,503	
			215,808
<u>\$ 14,916</u>	<u>\$ 3,405</u>	<u>\$ 553,503</u>	<u>\$ 226,473</u>
\$ 15,907	\$ 2,638	\$	\$
		278,538	
		274,965	
			61,000
			120,650
<u>\$ 15,907</u>	<u>\$ 2,638</u>	<u>\$ 553,503</u>	<u>\$ 181,650</u>
\$ (991)	\$ 767	\$ 0	\$ 44,823
11,062	6,186		470,679
<u>\$ 10,071</u>	<u>\$ 6,953</u>	<u>\$ 0</u>	<u>\$ 515,502</u>

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Cumberland County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Cumberland County Public Properties Corporation, Cumberland Health Services Corporation Bond Fund, and Cumberland County Tourist Commission as part of the reporting entity.

Cumberland County Public Properties Corporation

On September 11, 2001, the Cumberland County Fiscal Court (Fiscal Court) established the Cumberland County Public Properties Corporation - Justice Center Construction Fund (Corporation) for the purpose of the acquisition and financing of public projects for and on behalf of Cumberland County. The Corporation is composed of the five members of the Fiscal Court, which includes the Cumberland County Judge/Executive and the four magistrates and has perpetual existence. Since the Fiscal Court has complete authority over this entity this makes it a component unit of the county. The financial information of this component unit is blended within the financial statements.

Cumberland Health Services Corporation Bond Fund

Cumberland Health Services Corporation Bond Fund was established to finance property and equipment for the Cumberland County Hospital. The County entered into a contract with the management corporation of the hospital to provide rental payments to retire the related bonds. This relationship along with the fact that the county has the authority to require the entity to maintain enough revenue to meet bond requirements makes this a component unit of the county. The financial information of the component unit is blended within the financial statements.

Cumberland County Tourist Commission

On February 25, 2000, the Cumberland County Fiscal Court (Fiscal Court) established the Cumberland County Recreational Tourist and Convention Commission (Commission) pursuant to KRS 91A.350 through KRS 91A.390 for the purpose of promoting tourism and convention activity in Cumberland County. The Commission is composed of five members appointed by the Cumberland County Judge/Executive. Three members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at large by the County Judge/Executive.

CUMBERLAND COUNTY  
 NOTES TO FINACIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Cumberland County Tourist Commission (Continued)

The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. In accordance with the ordinance, the Fiscal Court collects "3% of the gross rent for every occupancy of a suite, room, or rooms charged and collected" by "every person, company, corporation, or other like or similar persons, groups, or organizations, doing business as motor courts, motels, inns, or like business in Cumberland County. These receipts are to be paid by the Fiscal Court on a monthly basis to the Cumberland County Recreational Tourism and Convention Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively for the Fiscal Court; therefore, the financial activity of the Commission is presented discretely.

Additional - Cumberland County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Cumberland County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Cumberland County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

CUMBERLAND COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Cumberland County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Cumberland County Special Revenue Fund Type includes the Fire Protection fund.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Cumberland County Public Properties Corporation - Justice Center Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Cumberland Health Services Corporation Bond Fund - 1992 Series. Debt service is provided through annual transfers from the rental revenues in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

CUMBERLAND COUNTY  
NOTES TO FINACIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Cumberland County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

During the fiscal year ended June 30, 2002, the fiscal court approved an emergency budget amendment to increase the general fund budget by \$755,182 for the receipt of Enhanced Medicaid payments. These funds were subsequently paid to the Cumberland County Hospital. However, this emergency budget amendment was not received by the State Local Finance Officer for approval. Therefore the budget of the general fund was overspent by \$362,280.

Formal budgets are not adopted for the Cumberland County Public Properties Corporation - Justice Center Construction Fund (Capital Projects Fund) because the Department for Local Government does not require these funds to be budgeted. In addition, no formal budget is adopted for the Cumberland County Health Services Corporation Bond Fund - 1992 Series, (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CUMBERLAND COUNTY  
 NOTES TO FINACIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Cumberland County Fiscal Court:

Cumberland County Ambulance District  
 Cumberland County Extension District

Cumberland County Water District  
 Cumberland County Library District

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of Cumberland County Fiscal Court:

Burkesville-Cumberland County Industrial Development Authority  
 Burkesville-Cumberland County Nursing Home Corporation  
 Tri-County Animal Control Board

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.



CUMBERLAND COUNTY  
NOTES TO FINACIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of August 31, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving public funds uninsured and unsecured. In addition, the Cumberland County Health Services Corporation did not have a written agreement with the depository institution securing the corporation's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2001.

	<u>Bank Balance</u>
Insured by FDIC	\$ 200,000
Collateralized with securities held by the county's agent in the county's name	73,444
Uncollateralized and uninsured	<u>655,972</u>
Total	<u><u>\$ 929,416</u></u>

Note 4. Lease Agreement

The county has entered into the following lease agreement:

<u>Description</u>	<u>Balance 7/1/2001</u>	<u>Additional Borrowings</u>	<u>Payments</u>	<u>Balance June 30, 2002</u>
Copier	<u>\$ 3,475</u>	<u>\$</u>	<u>\$ 2,163</u>	<u>\$ 1,312</u>

CUMBERLAND COUNTY  
 NOTES TO FINACIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 5. Long-Term Debt

Cumberland County Health Services Corporation Mortgage Revenue Bonds - Series 1992

In 1992, the Cumberland County Hospital entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court to pay principal and interest on Series 1992 bond issue. The bonds mature serially through January 1, 2022, and require annual principal and interest payments at rates ranging from 5.25% to 6.75% and are due annually on January 1<sup>st</sup>. The bonds are to be collateralized by all revenues generated by the Cumberland County Hospital. Under the terms of the lease agreement and trust indenture, the Cumberland County Hospital is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1992 were used to finance the construction of an addition to the Cumberland County Hospital. Bond principal outstanding for the Cumberland County Health Services Corporation as of June 30, 2002 was \$2,352,000.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 117,600	\$ 65,000
2004	114,350	68,000
2005	110,950	73,000
2006	107,300	77,000
2007	103,450	81,000
2008-2012	451,350	484,000
2013-2017	315,150	645,000
2018-2022	133,900	859,000
Totals	\$ 1,454,050	\$ 2,352,000

Note 6. Capital Lease Obligations

- A. On October 23, 1998, Cumberland County entered into a capital lease agreement with Kentucky Associations Of Counties Leasing Trust in the amount of \$34,945. The funds were used to purchase voting machines. The county is in substantial compliance with the lease agreement as of June 30, 2002. The lease matures on October 20, 2002. The principal and interest is to be paid monthly and is based on a 4.22% interest rate. The principal balance outstanding as of June 30, 2002 was \$3,114.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 26	\$ 3,114

CUMBERLAND COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 6. Capital Lease Obligations (Continued)

B. On April 24, 2002, Cumberland County entered into a capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$107,492. The funds were used to purchase a road grader. The county is in substantial compliance with the lease agreement as of June 30, 2002. The lease matures on March 24, 2007. The principal and interest is to be paid monthly and is based on a 4.9% interest rate. The principal balance outstanding as of June 30, 2002 was \$102,298.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 4,481	\$ 19,646
2004	3,518	20,610
2005	2,506	21,621
2006	1,445	22,681
2007	357	17,739
Totals	<u>\$ 12,307</u>	<u>\$ 102,297</u>

Note 7. Bond Anticipation Note

On December 11, 2001, the Cumberland County Public Properties Corporation - Justice Center Construction Fund entered into an agreement with United Community Bank for a line of credit in the form of a bond anticipation note. As of June 30, 2002 the principal liability of this bond anticipation note was \$553,503. The purpose of these monies was to pay for Justice Center construction in anticipation of issuing mortgage revenue bonds. The total amount of this bond anticipation note was subsequently repaid in full with interest upon the issuance of mortgage revenue bonds Series, 2002 on December 23, 2002.

Note 8. Material Grants

A. Blacktop Grants

Cumberland County Fiscal Court was awarded two state grants totaling \$329,323 from the Department of Highways, Transportation Cabinet, Commonwealth of Kentucky, for the purpose of blacktopping various county roads. During fiscal year 2002, the Cumberland County Fiscal Court received grant funds of \$329,323 and spent funds totaling \$268,123. The unexpended balance as of June 30, 2002, was \$61,200.

CUMBERLAND COUNTY  
NOTES TO FINACIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 8. Material Grants (Continued)

B. Kentucky Medicaid Assistance Program

The Cumberland County Fiscal Court entered into two Funds Transfer Agreements with the Cumberland County Hospital for the purpose of facilitating an intergovernmental transfer of funds of the Commonwealth of Kentucky in order to qualify the hospital for receipt of enhanced payments for services provided to Medicaid-eligible residents. During fiscal year 2002, the Cumberland County Fiscal Court received and transferred funds totaling \$1,090,972.

Note 9. Reserved Fund Balances

A. General Fund Type

The Cumberland County Fiscal Court received state grant funds from the Department for Local Government, Office of the Governor, Commonwealth of Kentucky, to assist in the construction of the Cumberland County Day Care/Early Childhood Facility Project. The unexpended balance as of June 30, 2001, was \$159,000. During fiscal year 2002, the Cumberland County Fiscal Court received federal and state grant funds totaling \$405,228 and spent funds totaling \$323,255. The unexpended balance as of June 30, 2002, was \$240,973.

B. Special Revenue Fund Type

The fund balance of the Special Revenue Fund Type for the Cumberland County Fiscal Court is reserved because these funds are to be used to pay the fire protection monies collected to the state. As of June 30, 2002, this reserve fund balance was \$6,953.

C. Debt Service Fund Type

The fund balance of the Debt Service Fund Type for the Cumberland Health Services Corporation, a component unit of the Cumberland County Fiscal Court, is reserved because these funds are to be used for the retirement of bonded debt. As of June 30, 2002, this reserved fund balance was \$407,837.

Note 10. Closure and Post Closure Care Cost of Ferrill & Stockton Solid Waste Landfill

State and federal laws and regulations required Cumberland and Clinton County Fiscal Courts to place a final cover on its Municipal Solid Waste Landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for two years after closure. Closure and post closure care costs have been paid as they were incurred after the date the landfill stopped accepting waste.

CUMBERLAND COUNTY  
NOTES TO FINACIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 10. Closure and Post Closure Care Cost of Ferrill & Stockton Solid Waste Landfill (Continued)

The original estimated cost of closure was \$52,999. This did not include manpower. These costs have been absorbed through the use of road fund equipment and personnel. This responsibility has been shared by both Cumberland and Clinton County. The counties were released from further groundwater monitoring September 22, 2000. The counties received a new permit on February 16, 2001 extending the expiration date of their previous permit to September 6, 2002. The expected additional costs related to closure or post closure care includes completing the requirements related to the final cap, which included grading, fertilizing, and seeding.

Note 11. Insurance

For the fiscal year ended June 30, 2002, Cumberland County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Subsequent Events

On July 1, 2002, the Cumberland County Fiscal Court rescinded the county's occupational tax.

On December 23, 2002, the Cumberland County Public Properties Corporation - Justice Center Project issued \$5,560,000 in Mortgage Revenue Bonds Series 2002.

On December 23, 2002, the Cumberland County Public Properties Corporation - Justice Center Project repaid the entire bond anticipation note (including interest) in the amount of \$914,849.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





CUMBERLAND COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 1,272,123	\$ 1,781,880	\$ 509,757
Road and Bridge Fund	1,221,996	1,100,839	(121,157)
Jail Fund	43,279	44,879	1,600
Local Government Economic Assistance Fund	13,200	14,916	1,716
<u>Special Revenue Fund Type</u>			
Fire Protection Fund	<u>3,000</u>	<u>3,405</u>	<u>405</u>
Totals	<u>\$ 2,553,598</u>	<u>\$ 2,945,919</u>	<u>\$ 392,321</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,553,598
Add: Budgeted Prior Year Surplus			424,468
Less: Other Financing Uses			<u>(169,400)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,808,666</u>

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SCHEDULE OF OPERATING REVENUE



CUMBERLAND COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	Totals (Memorandum Only)	<u>GOVERNMENTAL FUND TYPES</u>	
		<u>General Fund Types</u>	<u>Special Revenue Fund Type</u>
Taxes	\$ 459,666	\$ 456,358	\$ 3,308
In Lieu Tax Payments	20,522	20,522	
Excess Fees	27,103	27,103	
Licenses and Permits	1,414	1,414	
Intergovernmental Revenues	1,314,318	1,314,318	
Miscellaneous Revenues	1,103,967	1,103,967	
Interest Earned	18,929	18,832	97
Total Operating Revenue	<u>\$ 2,945,919</u>	<u>\$ 2,942,514</u>	<u>\$ 3,405</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





CUMBERLAND COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 359,695	\$ 339,312	\$ 20,383
Protection to Persons and Property	135,791	109,772	26,019
General Health and Sanitation	39,921	24,288	15,633
Social Services	900	2,484	(1,584)
Recreation and Culture	53,964	44,668	9,296
Transportation Facilities and Services	4,250	3,724	526
Roads	1,089,460	855,282	234,178
Debt Service	21,382	20,923	459
Capital Projects	309,420	108,844	200,576
Administration	784,883	1,365,753	(580,870)
Total Operating Budget - General Fund Types	\$ 2,799,666	\$ 2,875,050	\$ (75,384)
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	155,000	155,000	
Capital Lease Agreement-			
Principal on Lease	14,400	14,386	14
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 2,969,066</u>	<u>\$ 3,044,436</u>	<u>\$ (75,370)</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 9,000	\$ 2,638	\$ 6,362
Total Operating Budget - Special Revenue Fund Type	\$ 9,000	\$ 2,638	\$ 6,362
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 9,000</u>	<u>\$ 2,638</u>	<u>\$ 6,362</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES



CUMBERLAND COUNTY  
SCHEDULE OF UNBUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>Cumberland County Public Properties</u> <u>Justice Center Construction Fund</u>
Acquisition of Land/Buildings	\$ 208,089
Architecture Design	43,261
Land Survey	3,950
Environmental Survey	6,222
Attorney's Fees	12,405
Taxes and Fees	1,101
Consulting Fees	3,500
Bank Charge	<u>10</u>
Total Expenditures	<u>\$ 278,538</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Cumberland County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cumberland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$655,972 And Entered Into A Written Agreement To Protect Deposits



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumberland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 21, 2003

COMMENT AND RECOMMENDATION



CUMBERLAND COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$655,972 And Entered Into A Written Agreement To Protect Deposits

On August 31, 2001, \$655,972 of the county's deposits of public funds were uninsured and unsecured. This included \$245,553 for the county's general and special revenue fund type accounts, and \$410,419 for the Cumberland Health Services Corporation Fund. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution for the Cumberland Health Services Corporation Fund to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*County Judge/Executive Donna Thurman-Knight's Response:*

*We agree with comments. We will notify the banks to ensure that they keep adequate collateral pledged to ensure that we have sufficient coverage to protect our deposits. As of June 2002, Health Services Corporation obtained a written security collateral agreement.*

PRIOR YEAR FINDINGS

In the prior year report, we reported the following comment.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral of \$543,334 And Entered Into Written Agreements To Protect Deposits

This comment was not corrected.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

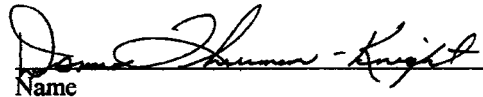
CUMBERLAND COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

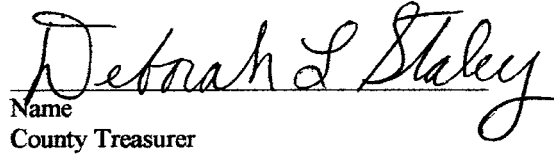
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS**  
**CUMBERLAND COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2002

The Cumberland County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name

County Judge/Executive

  
Name

County Treasurer

CUMBERLAND COUNTY TOURISM COMMISSION

AUDITED FINANCIAL STATMENTS

Year Ending June 30, 2002



CUMBERLAND COUNTY TOURIST COMMISSION

AUDITED FINANCIAL STATEMENTS

Year Ending June 30, 2002

CUMBERLAND COUNTY TOURIST COMMISSION  
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Year Ended June 30, 2002

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CUMBERLAND COUNTY TOURIST COMMISSION  
P.O. BOX 421  
BURKESVILLE, KENTUCKY 42717

CHAIRMAN  
Brian Humphrey

VICE CHAIRMAN  
Eric Garland

SECRETARY  
Carolyn Spivey

TREASURER  
Mark Brewington

COMMISSION MEMBERS  
Peggy Branham  
Greg Smith  
Nancy Melocasky

*SAMMY K. LEE, P.S.C.*  
*Certified Public Accountant*

*261 Regency Circle, Suite 2*  
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*(859) 278-4994*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

INDEPENDENT AUDITOR'S REPORT

To the Tourist Commission  
Cumberland County Tourist Commission  
Burkesville, Kentucky 42717

I have audited the accompanying financial statements of Cumberland County Tourist Commission as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Cumberland County Tourist Commission management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland County Tourist Commission as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Sammy K. Lee P.S.C.*

Lexington, Kentucky  
November 15, 2002

CUMBERLAND COUNTY TOURIST COMMISSION  
STATEMENTS OF ASSETS, LIABILITIES, AND FUND EQUITY  
June 30, 2002

ASSETS

Cash	\$ 22,244
Accounts receivable	7,151
Property and equipment	1,400
Less: Accumulated depreciation	<u>(100)</u>
<u>TOTAL ASSETS</u>	<u>\$ 30,695</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable and accrued liabilities	\$ <u>0</u>
Total Liabilities	<u>0</u>

FUND EQUITY

Fund balance	<u>30,695</u>
Total Fund Equity	<u>30,695</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 30,695</u>

The accompanying notes are an integral part of these financial statements.  
Page 3

CUMBERLAND COUNTY TOURIST COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2002

OPERATING REVENUES

Tourism tax	\$ 35,752
Swap meet income	<u>511</u>
Total Revenues	<u>36,263</u>

OPERATING EXPENDITURES

Administration	2,690
Advertising and brochures	7,596
Depreciation	100
Donations	3,000
Professional services	950
Miscellaneous	1,356
Telephone	620
Swap meet	7,010
Travel	<u>113</u>
Total Expenditures	<u>23,435</u>

Excess (deficiency) of operating revenues over (under) operating expenditures	<u>12,828</u>
--	---------------

Fund balance, beginning of year	17,867
---------------------------------	--------

<u>FUND BALANCE, END OF YEAR</u>	<u><u>\$ 30,695</u></u>
----------------------------------	-------------------------

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY TOURIST COMMISSION  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2002

CASH FLOWS PROVIDED (USED) FROM OPERATING ACTIVITIES:

Net operating revenues	\$ 12,828
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	100
Changes in operating assets and liabilities:	
(Increase) decrease accounts receivable	<u>(7,151)</u>
Total adjustments	<u>(7,051)</u>
Net cash flows provided (used) from operating activities:	<u>5,777</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of property and equipment	<u>(1,400)</u>
Net cash flows from capital and related financing activities	<u>(1,400)</u>

Net increase (decrease) in cash and cash equivalents	4,377
--	-------

Cash and Cash Equivalents, beginning of year	<u>17,867</u>
--	---------------

CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u><u>\$ 22,244</u></u>
---	-------------------------

SUPPLEMENTAL DISCLOSURES

Operating activities reflect interest paid during year	<u><u>\$ 0</u></u>
--	--------------------

CUMBERLAND COUNTY TOURIST COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cumberland County Tourist Commission was created by an ordinance of Cumberland County Fiscal C. Its primary purpose is to promote recreational, convention, and tourist activity, and to levy a transient room tax of 3% of the rent charged by every person, company, corporation, or other like or similar persons doing business as motor courts, motels, hotels, inns or like business in Cumberland County.

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting and accordingly reflect all significant assets and liabilities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Commission considers all cash as cash and cash equivalents with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Property and Equipment

Property and equipment are recorded at cost, or if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment are recorded by removing the asset's cost and related accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation is provided for using the straight-line method, with one-half year's depreciation in the year of acquisition, over the estimated useful life of the assets. The estimated useful lives are as follows:

Property and Equipment

7 years

NOTE 2. CASH AND CASH EQUIVALENTS

The total cash held by the Commission at June 30, 2002 is \$22,244. All monies are properly covered by the Federally insured limits or FDIC.



CUMBERLAND COUNTY TOURIST COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
June 30, 2002

NOTE 3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Commission in estimating its fair value disclosures for financial instruments:

Cash carrying amounts reported in the statement of financial position approximate fair values because of their short maturities.

The estimated fair values of the Commission's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>		<u>Fair Value</u>
Financial Assets:			
Cash and cash equivalents	\$ 22,244	\$	22,244
Accounts receivable	7,151		7,151

*SAMMY K. LEE, P.S.C.*  
*Certified Public Accountant*

*261 Regency Circle, Suite 2*  
*Lexington, KY 40503*  
*(859) 278-4994*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

To the Tourist Commission  
Cumberland County Tourist Commission  
Burkesville, Kentucky 42717

In planning and performing my audit of the financial statements of Cumberland County Tourist Commission, for the year ended June 30, 2002, I considered the Commission's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with the Commission's personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Sammy K. Lee P.S.C.*

Lexington, Kentucky  
November 15, 2002

CUMBERLAND COUNTY TOURIST COMMISSION  
MANAGEMENT LETTER COMMENTS  
For The Year Ended JUNE 30, 2002

1. In my review of the internal control structure, adequate segregation of duties do not exist due to the size of the Commission's personnel. Due to personnel and financial limitations, adequate segregation of duties is not practical in this situation. Based on this inherent limitation, the Commission is operating very efficiently.
2. In my review of the bank account, I find that the Commission does not invest its deposits in an interest bearing account. I recommend that any excess cash be maintained in an interest bearing account.
3. In an effort to monitor accounts receivable, the Commission should request monthly collection reports from the fiscal court. This will prevent any discrepancies between the actual collections by the fiscal court and their remittances to the Commission.